



What Are Businesses Objectives?

- Objectives are at the centre of everything a business does
- There are 3 objectives that are commonly associated with all organisations:





Survival

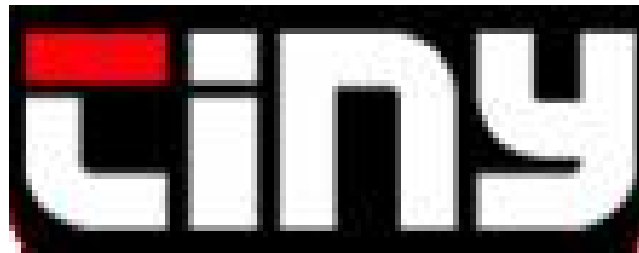
- Mainly an objective when the business is threatened
- This can occur in 3 scenarios:
 - The early stages of the business
 - When trading is difficult
 - When there is a threat of takeover
- This objective is designed to make staff think whether their actions are putting the business in danger
- Be aware that not all organisations look for long-term survival!





Growth

- Some see this as necessary to survive
- Others believe that “big is beautiful”
- Many managers will receive more money if the business is bigger
- There are dangers of becoming too big – i.e. staff may feel like “a small cog in a big machine”
- Additionally some firms grow too quickly, e.g.:





Firms With Growth Objectives

Worlds Fastest Growing Companies (10 Years)

Rank	Company	Rank	1990 - 2000 % Annual Growth in EPS
1	Campbell Soup	287	71.5
2	Micron Technology	248	69.6
3	EMC	216	59.3
4	Cisco Systems	107	59.1
5	Tellabs	479	52.0
6	Avery Dennison	428	49.8
7	Dell Computer	48	49.5
8	Oracle	184	47.7
9	SCI Systems	230	47.5
10	Applied Materials	196	44.0
11	Charles Schwab	260	43.7
12	Best Buy	156	39.7
13	Microsoft	79	38.6
14	Amgen	455	36.7
15	ADC Telecommunications	486	35.5
16	Merrill Lynch	25	35.4



Profit

- Most organisations seek to make a profit, unless of course they are non-profit making (ie leisure centres)
- There are 2 types of profit objectives:
 - **Profit maximisation**
 - Here the firm will try to make the maximum amount of profit
 - **Satisficing**
 - Most firms will aim to make a satisfactory level of profit
- Businesses need to make a profit so that:
 - there is sufficient money available to keep the business growing
 - money is available to make the business grow
 - owners are rewarded for the risks that they take





Other Objectives

- Rather than adopt the main 3 objectives, some firms will adopt others
- These include:
 - To operate in the interests of the consumer
 - i.e. public sector
 - Revenue maximisation
 - i.e. charity shops
 - To operate in a socially responsible way
 - To maintain a way of life
 - applies to small businesses, who are more concerned with their business as a lifestyle.





Setting Objectives

- A firm must be careful when setting objectives to ensure that they can be met. It is good practice for a firm to set SMART objectives:
- **S**pecific
 - set out clearly what is trying to be achieved
- **M**easurable
 - so they know when it has been achieved
- **A**greed
 - must involve everyone
- **R**ealistic
 - otherwise they will be ignored!
- **T**ime specific
 - a time span to achieve them within





Objectives Over Time

- Statements such as:

“our objective is to become market leader within the next 5 years”

won't succeed unless it is broken down into smaller time periods

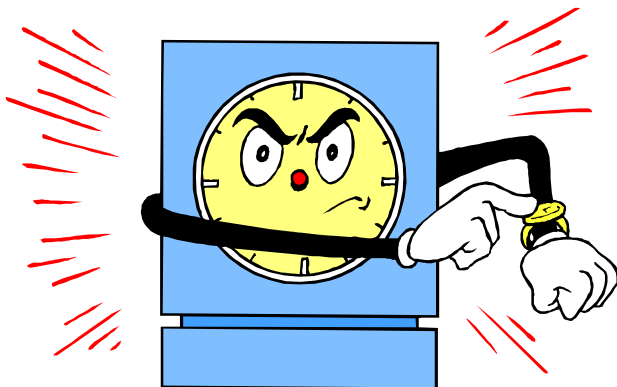
- This is because most people leave things until the last minute

➤ you will know this from experience!

- But you can't become market leader at the last minute!

- As such firms will usually set objectives for the:

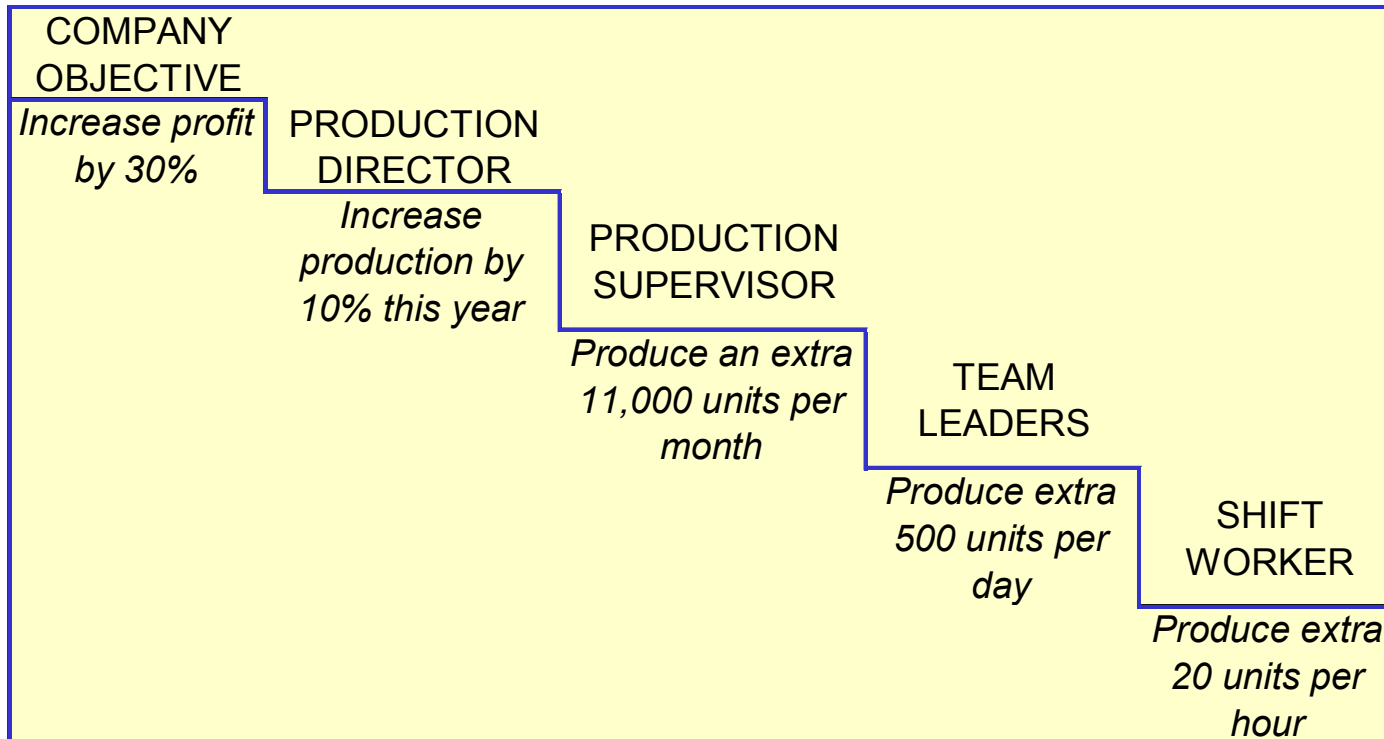
- Short-term
- Medium-term
- Long-term





Communicating Objectives

- Firms cannot make one statement about their objectives, and expect workers to understand it
- Objectives must be communicated their objectives
- Take the following example:





Mission Statements

- Many businesses communicate their objectives in the form of a **mission statement**
- This is simply a written description of the goals of the business
- It is communicated to stakeholders using:
 - Notice boards,
 - Websites
 - Annual Reports





An Example Mission Statement

“McDonald's vision is to be the UK's best quick service restaurant experience. This will be achieved through five strategies: Development, Our People, Restaurant Excellence, Operating Structure, and The Brand.”

Objectives & Stakeholders



Stakeholder	Possible Objective	Influence
Single Owner	Survival, Profit, Independence	Limited externally
Partner	Survival, Profit, Growth	Limited externally
Shareholder	Dividends, Good Performance	Limited unless holding many shares
Employees	Job Security, Job Satisfaction, Good Pay, Career Opportunities	Only through trade unions
Customer	Satisfaction of needs/wants	Through the law and pressure groups
Supplier	Increased Sales	Varies
Creditor	Prompt Payment	Varies
Community	Maintain Quality of Life	Through the law and pressure groups
Government	Favourable Economic Conditions	Very powerful



Conflicts Of Objectives

- Conflicts can occur in 2 ways:
 - **The objectives of stakeholders can conflict**
 - Shareholders want good dividends which requires high profits
 - Workers want high wages, increasing costs and lower profits

 - **The objectives of the business can conflict**
 - short-term objectives may conflict with long-term objectives
 - short - term objective may well be survival
 - ◆ This may mean that risks are not taken
 - Long-term objective may be growth
 - ◆ This will require risks to be taken!

- Conflicts can be overcome if the business is adaptable
- They may need to change their objectives as their circumstances change

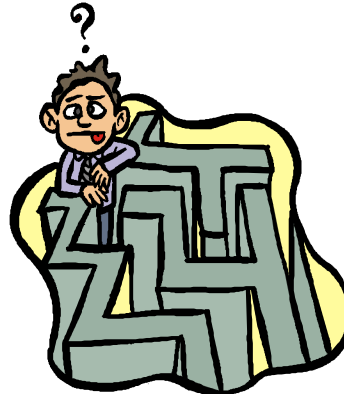


From Objectives to Strategy

- Once the objectives have been decided, a business must begin to plan how they will be achieved

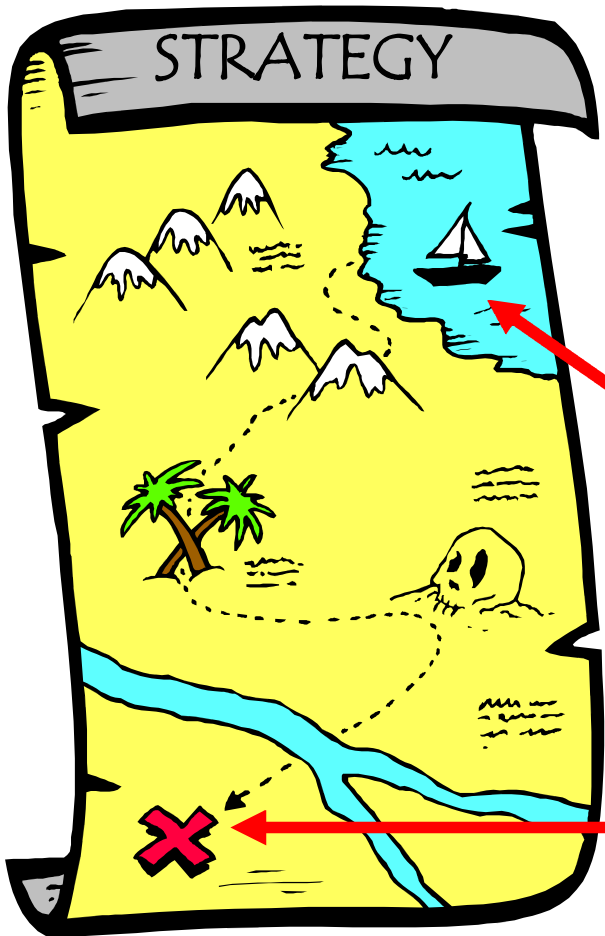
- In order to do this they will:
 - examine where the business is at present
 - This will involve look at the internal and external constraints of the business

 - decide upon the best route to achieving their objectives
 - This involves drawing up a **strategy**, which can take a number of forms





The Role Of The Strategy



- A business strategy is essentially the “map” of how the business can get from where it is “today” to where it wants to be “tomorrow”

We are here

Our objective is to be here

**The map is
our
STRATEGY**



SWOT Analysis

- Before a strategy can be drawn up a business must assess it's current position. This is often done using SWOT analysis.
- SWOT is an acronym that stands for:
 - **S** trengths
 - **W** eaknesses
 - **O** pportunities
 - **T** hreats





Carrying Out A SWOT Analysis

- A SWOT analysis is usually set out as follows:

<h2>STRENGTHS</h2> <p>This looks at what the business has been good at in the past</p>	<h2>WEAKNESSES</h2> <p>This looks at what the business has been poor at in the past</p>
<h2>OPPORTUNITIES</h2> <p>This looks at what the business could do well in the future</p>	<h2>THREATS</h2> <p>This looks at the possible problems the business may face in the future</p>

PAST



FUTURE





Types of Strategy



- Strategies can take a number of forms:
 - **Operational strategies**
 - methods of improving the efficiency of the objectives
 - **Generic strategies**
 - strategies that affect the whole business, e.g. a decision to stop producing a product
 - **Corporate strategies**
 - aimed at the long-term position e.g. plans to double in size in the next 10 years
 - **Global strategies**
 - strategies that may involve overseas expansion